Answer Key -- Globalisation and the Indian Economy

Chapter 4 · Economics

Reading Guide · Glossary · Comprehension · Practice Questions · 10 Puzzles

NCERT Companion Workbook · Based on “Understanding Economic Development, NCERT Class X”

Comprehension Questions -- Answered

Q1. Explain how a multinational corporation typically spreads its production across several countries.

Answer: An MNC often designs its products in one country with strong research facilities, manufactures components in another country offering cheap labour, and assembles the finished item in yet another location close to its main markets. Services like customer support may be run from a completely different country that offers skilled, English-speaking staff at lower cost. This division lets the company combine the cheapest or best available conditions at every stage of production instead of doing everything in one place. The result is a single finished product whose creation is actually spread across many national economies working together.

Q2. How does foreign trade lead to the integration of markets across countries?

Answer: When goods produced in one country are exported and sold in another, buyers there gain new choices beyond what domestic producers alone offer. Prices of similar goods in the two markets tend to move closer together because buyers can compare and choose the cheaper or better option regardless of where it was made. Producers in both countries end up competing directly with each other even though they may be located thousands of miles apart. This closer linking of prices and choices across borders is what the chapter calls integration of markets.

Q3. What is liberalisation, and why did India adopt it starting around 1991?

Answer: Liberalisation means removing government-imposed restrictions on foreign trade and investment, allowing businesses more freedom to import, export and set up operations. India had earlier protected its industries with trade barriers to let them grow without facing strong foreign competition. By 1991, the government judged that Indian producers needed to face global competition to improve their quality and efficiency, a shift also encouraged by powerful international organisations. This change allowed foreign companies to invest more easily in India and allowed Indian consumers and producers greater access to global markets.

Q4. Describe two factors, other than government policy, that enabled rapid globalisation.

Answer: Improvements in transportation technology, such as standardised shipping containers and cheaper air freight, made it possible to move goods across long distances quickly and at lower cost. Advances in information and communication technology, especially the internet, allowed instant sharing of information, designs and instructions between offices located in different countries. Together these changes meant that production stages and business communication no longer needed to happen in the same place, making it practical for companies to spread operations across the globe. Without these technological shifts, the scale of today's globalisation would not have been achievable.

Q5. Why has globalisation's impact on Indian workers and producers been described as uneven?

Answer: Consumers, particularly well-off urban buyers, gained wider choice and often lower prices as competition among producers increased. Large Indian companies with capital and skilled staff, along with workers in high-skill service jobs like IT, benefited from new opportunities created by global demand. In contrast, small producers making items like toys, capacitors or footwear faced cheaper imported competition they could not match, forcing many to shut down or scale back sharply. Casual and factory workers increasingly faced insecure, flexible employment with fewer protections, showing that the gains from globalisation were not shared equally across all groups.

Q6. What steps does the chapter suggest for making globalisation fairer?

Answer: The government can enforce existing labour laws properly so that workers actually receive the protections they are legally entitled to. It can support small producers with better infrastructure, credit access and technology until they are strong enough to compete with larger or foreign rivals. India can also negotiate collectively with other developing countries at international bodies like the WTO to push for fairer global trade rules. The chapter also notes that organised public pressure and campaigns by citizens' groups have already influenced international trade decisions, showing people themselves have a role to play.

Short-Answer Practice -- Model Answers

Q1. What is a multinational corporation?

Answer: A company that owns or controls production in more than one country.

Reasoning: *Reasoning: this distinguishes MNCs from domestic firms, since MNCs deliberately locate parts of their operations abroad to reduce costs or access markets.*

Q2. What is foreign investment?

Answer: Money MNCs spend on buying assets like land, buildings and machines in another country.

Reasoning: *Reasoning: it is called foreign because the spending originates from a company based outside the country where the assets are located.*

Q3. Give one example of a trade barrier described in the chapter.

Answer: A tax placed on imported goods.

Reasoning: *Reasoning: taxing imports raises their price, making domestically produced goods relatively cheaper and thus discouraging imports.*

Q4. What is liberalisation?

Answer: The removal of government-imposed restrictions on foreign trade and investment.

Reasoning: *Reasoning: fewer restrictions let businesses decide more freely what to import, export or invest in, which is why the policy is called more 'liberal'.*

Q5. Why did small producers like Ravi struggle after import restrictions on capacitors were removed?

Answer: Because cheaper imported capacitors, priced roughly half of his product, undercut his sales.

Reasoning: *Reasoning: once trade barriers were lifted under WTO rules, Ravi's higher-cost local production could not compete on price with imports, shrinking his business.*

Q6. Name one purpose of the World Trade Organisation as described in the chapter.

Answer: To establish and enforce rules for liberalising international trade.

Reasoning: *Reasoning: WTO aims to reduce trade barriers globally, though the chapter notes developed countries have not always followed these rules as strictly as they expect developing countries to.*

Objective Practice

A. Multiple Choice Questions

1. A company that owns or controls production in more than one country is called a

a) domestic firm

✓ **b) multinational corporation**

c) cooperative

d) self-help group

2. Money spent by an MNC on buying assets like land and machines abroad is called

a) foreign trade

✓ **b) foreign investment**

c) liberalisation

d) collateral

3. A tax placed on imported goods is an example of a

a) subsidy

✓ **b) trade barrier**

c) quota

d) collateral

4. Removing government restrictions on trade and investment is called

a) globalisation

✓ **b) liberalisation**

c) outsourcing

d) collaboration

5. Ford Motors set up its large car plant in India near

a) Delhi

b) Mumbai

✓ **c) Chennai**

d) Kolkata

6. The World Trade Organisation's stated aim is to

a) increase trade barriers

✓ **b) liberalise international trade**

c) regulate domestic prices

d) issue currency

7. Special Economic Zones are set up in India mainly to

✓ **a) attract foreign investment**

b) reduce foreign trade

c) increase trade barriers

d) regulate banks

8. Small producers in industries like capacitors and toys were most affected by

a) higher domestic taxes

✓ **b) rising competition from cheaper imports**

c) government subsidies

d) shortage of raw materials

9. Which of the following is described as a factor enabling globalisation?

a) Reduced international travel

✓ **b) Improvements in information technology**

c) Higher trade barriers

d) Reduced use of the internet

10. According to the chapter, globalisation's benefits have been

a) shared equally by all

✓ **b) concentrated among skilled and wealthy groups**

c) limited only to farmers

d) absent in India

B. True or False

1. A multinational corporation controls production in only one country. -- FALSE
2. Foreign trade helps integrate markets of different countries. -- TRUE
3. Liberalisation means increasing government restrictions on trade. -- FALSE
4. India began major trade liberalisation reforms around 1991. -- TRUE
5. Improvements in information technology have played a major role in globalisation. -- TRUE
6. Special Economic Zones offer tax breaks to attract foreign companies. -- TRUE
7. Globalisation has benefited small producers and casual workers the most. -- FALSE
8. The WTO has about 160 member countries according to the chapter. -- TRUE

C. Match the Following

Column A	Column B
1. Multinational corporation	a) Government restriction such as a tax on imports
2. Foreign investment	b) Short-term hiring that reduces job security
3. Liberalisation	c) Body setting rules for international trade
4. Trade barrier	d) Firm controlling production in more than one country
5. Special Economic Zone	e) Spending by MNCs on assets abroad
6. World Trade Organisation	f) Limit on the quantity of goods that can be imported
7. Quota	g) Area offering tax breaks to attract investors
8. Flexible employment	h) Removal of trade and investment restrictions

Answers: 1-d, 2-e, 3-h, 4-a, 5-g, 6-c, 7-f, 8-b

Higher-Order Thinking (HOTS) Questions -- Model Answers

Q1. An Indian toy manufacturer is losing business to cheaper imported toys. Using ideas from the chapter, discuss two different policy responses the government could consider and their tradeoffs.

Answer: The government could impose a tariff or quota on imported toys, which would raise their price or limit their volume and give local manufacturers room to compete, but this could mean Indian consumers pay more or have less choice. Alternatively, the government could support local toy makers with better technology, credit and design assistance so they can compete on quality and price without needing permanent protection. The first option protects producers quickly but risks reducing consumer welfare and inviting retaliation under WTO rules, while the second is slower but builds lasting competitiveness. The chapter suggests a mix of temporary support and capacity-building is more sustainable than permanent trade barriers.

Q2. Explain how the same forces that let Indian call centres serve customers in the United States also expose Indian factory workers to job insecurity.

Answer: Improvements in information technology and communication allow companies to relocate operations, including customer service, to wherever costs are lowest, which is exactly what created opportunities for Indian call centre workers. The very same flexibility that lets companies shift service work to India also lets them shift manufacturing orders elsewhere or demand flexible, short-term labour arrangements to cut costs further. Because MNCs can quickly move production or orders to a cheaper location, workers everywhere face pressure to accept lower wages or less secure jobs to keep the business. This shows that global mobility of production is a double-edged force, creating opportunity in one place while creating insecurity in another, sometimes for the same underlying reason.

Q3. Why does the chapter argue that trade between developed and developing countries in agriculture is not always 'free and fair', even after both sides reduce their formal tariffs?

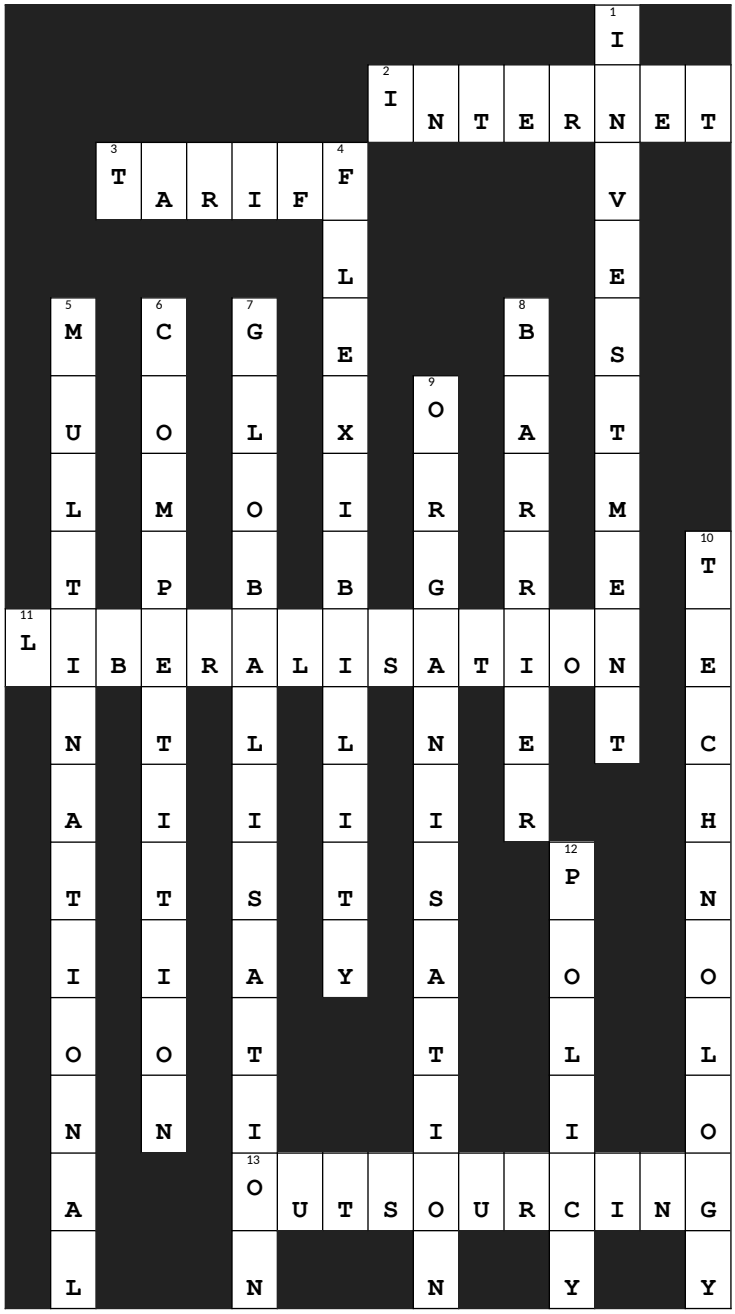
Answer: Developed country governments have continued to give their farmers massive financial support even while asking developing countries to remove their own trade protections under WTO rules. This support lets developed-country farmers sell crops abroad at artificially low prices that developing-country farmers, who receive far less government backing, cannot match. Even if official tariffs are equally lowered on both sides, this hidden support distorts competition in favour of the wealthier country's producers. This is why developing countries have argued at the WTO that removing tariffs alone does not create a genuinely level playing field.

Q4. Should Indian companies be encouraged to become MNCs themselves, as some already have? Give reasoning using the chapter's evidence.

Answer: Companies like Tata Motors and Infosys expanding abroad shows that Indian firms can also benefit from cheaper resources, larger markets or specialised skills in other countries, just as foreign MNCs benefit from operating in India. This could bring back profits, expertise and global recognition to the Indian economy rather than only capital flowing outward from India. However, becoming an MNC does not guarantee that the gains reach ordinary workers, since the same pressures toward flexible, less secure employment could appear in an Indian-owned multinational's operations too. On balance, Indian MNCs expanding globally can be a positive sign of economic strength, but the chapter's broader argument suggests that who benefits still depends on labour protections and fair policy, not just company nationality.

Puzzle Pack -- 10 Puzzles for This Chapter

1. Crossword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3 T A R I F F 4 V
L E
5 M 6 C 7 G E 8 B S
U O L X 9 O A T
L M O I R R M
T P B B G R E 10 T
11 L I B E R A L I S A T I O N E
N T L L N E T C
A I I I I R H
T T S T S 12 P N
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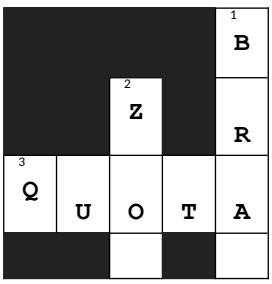
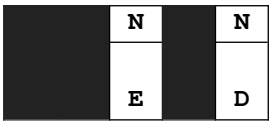
2. Mini Crossword





3. Word Search

T	N	O	I	T	I	T	E	P	M	O	C	I	M	P
L	A	N	O	I	T	A	N	I	T	L	U	M	N	Q
O	U	T	S	O	U	R	C	I	N	G	N	O	A	N
L	I	B	E	R	A	L	I	S	A	T	I	O	N	O
Z	L	V	P	I	H	S	R	E	N	T	R	A	P	I
E	R	U	O	B	A	L	S	C	A	T	W	T	C	T
B	A	R	R	I	E	R	O	S	N	P	Z	M	L	A
T	E	N	R	E	T	N	I	E	B	T	K	L	H	S
R	I	R	C	J	S	N	M	Y	C	I	L	O	P	I
O	M	U	A	U	A	T	O	T	E	K	R	A	M	L
P	P	H	M	G	S	R	E	C	U	D	O	R	P	A
X	O	E	R	E	Q	T	T	A	R	I	F	F	R	B
E	R	O	V	T	E	C	H	N	O	L	O	G	Y	O
Y	T	N	T	R	A	N	S	P	O	R	T	M	V	L
I	I	Y	T	I	L	I	B	I	X	E	L	F	T	G

4. Cryptogram

Encoded: IQSD DZLHXM ZLAMYSRGAQ NALFMNGMH XD RLXMH XQM RHSOQAFAKW FGQJ IXLJHRD.

Plain: MNCs spread production worldwide as trade and technology link markets.

Key: A=O B=Q C=J D=S E=B F=L G=I H=E I=M J=K K=G L=R M=D N=W O=H P=V Q=N R=T S=C T=F U=X V=Z W=Y X=A Y=U Z=P

5. Caesar Coded Message

Encoded: LQTGFQNXFYNTS FSI YMJ NSINFS JHTSTRD. RSHX XUWJFI UWTIZHYNTS BTWQIBNIJ FX YWFIJ FSI YJHMSTQTLD QNSP RFWPJYX.

Plain: Globalisation and the Indian Economy. MNCs spread production worldwide as trade and technology link markets.

Shift: 5

6. Word Scramble

1. IURUGOCTNOS → OUTSOURCING

2. IENNRTET → INTERNET

3. ERTOPX → EXPORT

4. TTIECIPMNOO → COMPETITION

5. TFIYIXLLEBI → FLEXIBILITY

6. MITAAINOULTLN → MULTINATIONAL

7. NROTARSTP → TRANSPORT

8. UAOLRB → LABOUR

9. RCUDREOP → PRODUCER

10. VNTIMENSTE → INVESTMENT

7. Acrostic

O -- OUTSOURCING

U -- MULTINATIONAL

T -- TARIFF

S -- GLOBALISATION

O -- ORGANISATION

U -- QUOTA

R -- LIBERALISATION

C -- COMPETITION

E -- EXPORT

Theme: OUTSOURCE

8. Match the Pairs

A → 1

B → 6

C → 3

D → 8

E → 4

F → 2

G → 5

H → 7

9. Fill in the Blanks

1. Rivalry among producers competing for the same buyers is called _____. → COMPETITION

2. Hiring workers for short periods without job security is called _____ employment. → FLEXIBILITY

3. A limit on the quantity of a good that can be imported is called a _____. → QUOTA

4. Money spent by a company on buying assets in another country is foreign _____. → INVESTMENT

5. A company that owns or controls production in more than one country is a _____ corporation. → MULTINATIONAL

6. A tax placed on imported goods is a type of trade _____. → BARRIER

7. Removing government restrictions on trade and investment is called _____. → LIBERALISATION

8. Zones offering tax breaks to draw foreign companies are called special economic _____. → ZONE

10. Odd One Out

1. Investment -- the only term not describing a trade restriction

2. Krishak Cooperative -- the only entity that is not a multinational corporation

3. Trade barrier -- the only factor that restricts rather than enables globalisation

4. Small producers -- the group that generally lost out most under rising import competition